IN THE

Supreme Court of the United States

OCTOBER TERM, 1948

No. 481

AMERICAN FOUNDRY EQUIPMENT COMPANY,
Petitioner,

against

PANGBORN CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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December 27, 1948.

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To The Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Petitioner above-named respectfully prays that a writ of certiorari be issued to review and reverse the judgment of the Court of Appeals for the Third Circuit (No. 9419 in said Court), which affirmed that part of a judgment of the United States District Court for the District of Delaware (R. 198a)* which dismissed this petitioner's amended and supplemental counterclaim.

*The certified record consists of (1) Appellant's Appendix [R. 1a-203a] and Addendum [R. 1-25] in the Court below; and inserted thereafter (2) respondent's motion in the Court below for leave to file answer to petitioner's amended and supplemental counterclaim, order thereon, and answer; (3) proceedings below, including opinion and final judgment thereon, filed September 28, 1948, in Appeal No. 9419.

OPINIONS BELOW

The opinion of the Court of Appeals is reported in 170 Fed. 2nd 339. A prior opinion of the Court of Appeals in the same litigation, dealing with an alleged contempt of Court for violation of a preliminary injunction, and passing incidentally upon the sufficiency of the pleadings (R. 138a-164a) is reported in 159 Fed. (2d) 88.

JURISDICTION

The judgment of the Court of Appeals was entered on September 28, 1948. The jurisdiction of this Court is invoked under Title 28, United States Code, § 1254(1) and § 2101(c). This petition for a writ of certiorari is presented the 27th day of December, 1948.

RULE OF CIVIL PROCEDURE INVOLVED

Rule 13(b)* PERMISSIVE COUNTERCLAIMS. A pleading may state as a counterclaim any claim against an opposing party not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim.

QUESTION PRESENTED

Is a permissive counterclaim (R. 44a-53a, 165a-172a), duly filed by defendant (R. 134a) and answered by plaintiff, showing on its face jurisdiction independent of that alleged in the complaint, dismissable in the Court's discretion, upon the dismissal of the complaint, without a deter-

*Under United States Code, Title 28, § 2072, such a Rule has the effect of law.

mination of the legal sufficiency of the counterclaim and without trial?

STATEMENT

This petitioner, The American Foundry Equipment Company (hereinafter called American), owns a patent (R. 4-5; 141a, 155a) upon a centrifugal machine used to clean castings and forgings by concentrating a stream of abrasive thereon. In litigation against the respondent, Pangborn Corporation (hereinafter called Pangborn) that company's competitive device was held to be an infringement, and the validity of American's patent (hereinafter called the Peik Patent) was sustained. *The American Foundry Equipment Company* v. *Pittsburgh Forging Company, et al.* (D.C. W.D. Pa., 1938), 67 Fed. Supp. 911; affirmed in *Pittsburgh Forging Company, et al.* v. *The American Foundry Equipment Company,* (CCA 3rd, 1939) 102 Fed. (2d) 964; certiorari denied 308 U. S. 566; petition for a bill of review based on alleged fraud dismissed, 41 Fed. Supp. 841. This earlier litigation is hereinafter referred to as the Pittsburgh suit.

Upon the dismissal of its petition for a bill of review in the Pittsburgh suit, Pangborn entered into an agreement with American (R. 183a), settling the pending accounting proceedings and consenting to final judgment (R. 19) making permanent, until the expiration of the Letters Patent sued upon, the preliminary injunction issued in that cause (R. 166a, para. 33 and para. 10 of Pangborn's answer to American's amended and supplemental counterclaim).

In addition to owning the Peik Patent, American was also the owner of an application for a patent on a centri-

fugal blasting machine, which had been filed by American's employee, Peik, prior to the application which resulted in the Peik Patent. The earlier Peik application had been filed, had been co-pending with the application which resulted in the Peik Patent, and had been abandoned, all without American's knowledge. Subsequently, upon American's petition, the Patent Office revived the earlier application, and when revived it came into interference with applications owned by Pangborn (R. 8, 143a, 139a).

The present action was instituted by Pangborn, in the U. S. District Court for the District of Delaware on January 8, 1941 (R. 1a, 13a). An amended complaint (R. 55a-103a) was filed, pursuant to leave of court, on March 6, 1944. Pangborn sought therein to enjoin American from prosecuting the interferences between them in the Patent Office, on the ground that American's application involved in such interferences had been improvidently revived by the Patent Office as the result of a fraudulent showing.

The Court below held that the amended complaint did not state a proper claim for relief, because such pleading sought to have the Court exercise functions of the Commissioner of Patents. In so holding the Court reaffirmed its holding upon a prior appeal in the same litigation, in which it had incidentally passed upon the sufficiency of Pangborn's pleading, in determining a charge of contempt of court for violation of a preliminary injunction (R. 138a-164a).

American's answer to the original complaint contained a counterclaim (R. 41a-43a). This was dismissed on the ground that, like the amended complaint, it sought to have the court interfere with Patent Office matters. Pursuant to leave (R. 134a), American filed an amendment and supplement to its counterclaim (R. 165a-173a), which dealt

inter alia with another patent* upon a centrifugal blasting machine which had been issued to Pangborn a few months after the filing of the amended complaint. In such amended and supplemental counterclaim American prayed (R. 171a-172a) that Pangborn be enjoined (1) from asserting its patent against American; (2) from claiming priority as against the Peik Patent; and (3) that the Pangborn patent be declared void and invalid.

Later American moved further to amend and supplement its counterclaim (R. 179a-194a), so as to request *inter alia* a declaration, in the event that the Pangborn patent should be held valid, to the effect that the settlement agreement with Pangborn gave American a royalty-free license under the Pangborn patent. This motion was eventually denied by the District Court (R. 198a).

American's counterclaim, as amended and supplemented (R. 44a-53a; 165a-173a), alleges that Pangborn is a Maryland corporation and that American is a Delaware corporation; that the jurisdictional amount of $3,000 is involved; that in the Pittsburgh suit brought by American against Pangborn, the Court held that American's Peik Patent was infringed by Pangborn's competitive machine called the RA Rotoblast (R. 165a); that final judgment in said suit making permanent the preliminary injunction granted against Pangborn and its accused device (R. 19-20), consented to by Pangborn, was entered January 26, 1942 (R. 167a); and that the claims of Pangborn's patent attacked by American's

*The claims in this patent were transferred to the application therefor from one of the applications in interference with the Peik application. It is admitted by Pangborn that this patent "was intended to cover and does cover the RA Rotoblast type of machine, and that the latter was adjudged to be an infringement of the claims in issue in the Pittsburgh case" (Pangborn answer to amended and supplemental counterclaim, para. 27).

pleading are asserted by Pangborn to be broad enough to cover Pangborn's RA Rotoblast machine. American further asserts in its pleading that Pangborn is barred and precluded by the judgment in the Pittsburgh suit from relitigating anywhere the issue therein settled, and alleges (R. 170a-171a) that Pangborn asserts the contrary, as in fact Pangborn does in its answer to this counterclaim.* American further alleges that while Pangborn claims that its patent is valid and "presently enforceable" against American, the fact is to the contrary (R. 171a).

In its opinion the Court of Appeals said:

> "We cannot say that the Court below abused its discretion in holding that it would be neither fair nor expedient to retain Pangborn in the suit at bar to defend a patent No. 2,352,588 which was issued to it more than three years after the original complaint was filed, a patent not connected legally with any cause of action asserted by Pangborn."**

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*In Pangborn's voluminous answer to American's amended and supplemented counterclaim (inserted in the record after Appellant's Appendix and Addendum) it is claimed (paragraph 4) that the reversal on appeal of a *pendente lite* order (R. 135a) adjudicates the validity of Pangborn's patent. This presents a further controversy, since American contends to the contrary. Paragraphs 25-30 of this answer are also important as showing the controversies between the parties.

**Under Rule 15(d) the District Court had granted American permission to file a supplemental pleading "setting forth transactions or occurrences or events which have happened since the date of the pleading sought to be supplemented" (R. 134a). Under Rule 13(b) American had the right to file a permissive counterclaim "not connected legally with any cause of action asserted by Pangborn."

SPECIFICATION OF ERROR TO BE URGED

The Court of Appeals erred in affirming the judgment of the District Court dismissing American's amended and supplemented counterclaim.

REASONS FOR GRANTING THE WRIT SOUGHT HEREIN

American is advised that Pangborn intends to apply for a writ of certiorari to review the judgment of the Court of Appeals for the Third Circuit which affirmed the dismissal of Pangborn's amended complaint. If such writ be granted, and the dismissal of the amended complaint be thereafter reversed by this Court, the denial of a writ to American would seemingly result in its being refused the right to interpose a permissive counterclaim authorized to be interposed by the Rules of Civil Procedure.

On the other hand, if a writ be refused to Pangborn, and the amended complaint therefore stands dismissed, it is American's contention that the Court below nevertheless had no power to refuse to try a valid counterclaim properly and legally served and filed in an action wherein Pangborn itself invoked the Court's jurisdiction. *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448, 451; *General Electric Co.* v. *Marvel Co.*, 287 U. S. 430, 434-5; *Vidal* v. *South American Securities Co.*, 276 Fed. 855, 874. The filing, by leave of the Court below and the District Court, of an answer thereto, presenting justiciable issues and controversies, emphasizes the want of power of the Courts below to refuse to try the issues presented.

In refusing to direct the District Court to try petitioner's amended and supplemented counterclaim, we submit that the Court below decided a Federal question in a way prob-

ably in conflict with the applicable decisions of this Court, and in conflict with decisions of Courts of Appeal for other Circuits, and has so far sanctioned a departure from the accepted and usual course of judicial proceedings by the District Court, as to call for an exercise of this Court's power of supervision.

Rule 13(b) permits a defendant to plead as a permissive counterclaim any controversy he may have with the plaintiff, even if "not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim". Once such a permissive counterclaim has been properly pleaded, the Court, whose jurisdiction has been invoked by the plaintiff, may not refuse to try such permissive counterclaim, if it has jurisdiction thereover. Plainly this remains true despite the fact that the Court may feel that the dismissal of the plaintiff might MAKE IT ~~be~~ neither "fair nor expedient" to try the counterclaim.

The reason for dismissing the Amended and Supplemental Counterclaim could not have been either its insufficiency or the Court's lack of jurisdiction.

Prayer (b) of American's pleading (R. 172a) asks for a judgment declaring that Pangborn is precluded and barred by the Pittsburgh judgment "from otherwise (than in the pending interferences) or elsewhere in any litigation" claiming priority as against the Peik Patent "as interpreted and construed" in the Pittsburgh suit. Prayer (c) asks, in the alternative, that the Pangborn patent be adjudged "wholly invalid and void". Both prayers are preceded by allegations supporting such demands for relief.

Thus, in addition to pleading diversity of citizenship and the jurisdictional amount of $3,000, actual controversies between the parties over which the United States District Court had jurisdiction, are pleaded in both instances.

Prayer (b) seeks determination of a controversy by quieting American's rights under a prior judgment. This is a well-recognized claim upon which relief may be granted. *Kessler* v. *Eldred*, 206 U. S. 285; *Toledo Scale Co.* v. *Computing Scale Co.*, 281 Fed. 488, 493 (CCA 7), aff'd 261 U. S. 399. Jurisdiction thereover is plain (United States Code, Title 28, § 1332).

The District Court likewise had jurisdiction over the actual controversy as to the validity of the Pangborn patent (Title 28, United States Code, §§ 2201, 1338a). The fact that Pangborn was already "in a court of his own choosing" renders inapplicable the venue provisions for patent suits contained in Title 28, United States Code, § 1400(b). *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448, 451; *General Electric Co.* v. *Marvel Co.*, 287 U. S. 433, 434-5. Jurisdiction attaches as a matter of right, and does not depend upon whether the Court would have had jurisdiction if the claim of American had been asserted, not as a counterclaim, but in a separate action brought by American against Pangborn.

Possessing jurisdiction, the District Court must exercise it.

We invoke the basic principle that when a court has jurisdiction over a claim, it does not lie within its discretion whether or not such jurisdiction shall be exercised. Litigants properly in court are to be heard as a matter of right, not as a favor or at the discretion of the Court. This principle was laid down more than a century ago when defendants convicted of selling lottery tickets in the State of Virginia brought that State into this Court by writ of error, asserting that a Congressional Act for the District of Columbia made their actions legal. The State of Virginia contested this Court's jurisdiction. Chief Justice

Marshall, writing for the Court, upheld its jurisdiction and declared:

> "It is most true that this Court will not take jurisdiction if it should not; but it is equally true, that it must take jurisdiction if it should. The judiciary cannot, as the legislature may, avoid a measure because it approaches the confines of the constitution. We cannot pass it by because it is doubtful. With whatever doubts, with whatever difficulties, a case may be attended, we must decide it, if it be brought before us. We have no more right to decline the exercise of jurisdiction which is given, than to usurp that which is not given. The one or the other would be treason to the constitution. Questions may occur which we would gladly avoid; but we cannot avoid them." *Cohens* v. *Virginia,* 19 U. S. (6 Wheat.) 264, at p. 404.

To the same effect are *Southern Cal. Tel. Co.* v. *Hopkins,* 13 F. (2d) 814, at p. 820 (CCA 9th); *Mutual Life Insurance Co. of New York* v. *Krejci,* 123 F. (2d) 594, 596 (CCA 7th); and *Vidal* v. *South American Securities Co.,* 276 F. 855, 874-5 (CCA 2nd). The decision of the Court below is, we submit, clearly in conflict with the foregoing decisions.

The question here presented is one of basic importance to all litigants in the Federal Courts. Succinctly stated, it is whether the basic doctrine enunciated in *Cohens* v. *Virginia,* 19 U. S. (6 Wheat.) 264, at p. 404, by Chief Justice Marshall, and the principle of law established by this Court in *Leman* v. *Krentler-Arnold Co.,* 284 U. S. 448, 451, can be emasculated by a court's designating its act as one of judicial discretion. If the fundamental rights of litigants are to continue to exist, it seems manifest that encroachments thereon by the inferior courts should be explicitly thwarted by this Court.

CONCLUSION

It is respectfully prayed that this petition for a writ of certiorari be granted.

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Dated: December 27, 1948